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New research shows innovative microenterprise graduation program leads to higher consumption, asset ownership and incomes among the ultra-poor

Study also shows higher consumption led to greater food security and improved nutrition

San Carlos, California February 15, 2018 – A one-year microenterprise graduation program targeting the ultra-poor in rural Africa offers a cost-effective way to tackle extreme poverty, according to preliminary results of a new study released today at an event in Kampala, Uganda. These preliminary results suggest that Village Enterprise’s integrated “graduation” model—comprised of targeting, training, mentorship, savings groups, and a modest cash transfer—increased assets and consumption, as well as subjective well-being and nutrition, with a full cost-recovery of the program estimated at three to four years.

“Helping the ultra-poor escape extreme poverty is a global priority, but policymakers are faced with competing ideas about the best way to accomplish this,” said Village Enterprise’s CEO Dianne Calvi. “Despite decades of development work and billions of dollars poured into the region, over half of the world’s extreme poor—a staggering 389 million people—reside in Sub-Saharan Africa. The results of this study confirm what we have observed for some time at Village Enterprise – that this model is impactful and cost-effective.” The randomized controlled trial (RCT) was carried out by Innovations for Poverty Action (IPA) to test the impacts of diverse components and variants of Village Enterprise’s program. Researchers worked with Village Enterprise to identify 6,378 of the poorest households across 138 villages in rural Uganda, and then randomly assigned eligible households to one of six groups: the full graduation program, the graduation program minus the savings group, unconditional cash transfers, unconditional cash transfers combined with a behavioral/mindset intervention, a variation of the full program called Business in a Box, and a control group for comparison purposes.

Researchers ran comparisons to evaluate effects of the components of the program on households’ consumption, occupational choice, assets, access to financial services, and savings. The preliminary findings indicate that overall, the Village Enterprise graduation program led to an annual per capita increase of US\$23.82 in consumption, US\$14.94 in assets and US\$12.32 in productive cash inflows.¹ Given that Village Enterprise works at the household level with an average size of six people, this translates to an increase of US\$142.92 in consumption, US\$89.64 in assets and US\$73.92 in productive cash flow per family. Higher consumption included both greater food security and dietary diversity. The subjective well-being of participants improved, and appeared to increase over time. The unconditional cash transfer programs did not appear to have meaningful impacts on poverty outcomes, but these results are somewhat ambiguous and more research is needed.

¹ All impact estimates are presented in 2016 USD purchasing power parity (PPP).

While the study's findings are consistent with previous research on six ultra-poor graduation programs published in [Science](#) magazine in 2015, the Village Enterprise model costs roughly a third of the least costly graduation program studied. What differentiates this model is that it is shorter, focused on entrepreneurship, and group-based. Village Enterprise starts three-person businesses and delivers training through groups of 30. The program is limited to one year, as opposed to two years in previously studied graduation programs. According to Nathanael Goldberg, director of IPA's Social Protection Program, and a coauthor of the 2015 Science paper, "this research helps fill in an important piece of the puzzle in learning how to design scalable programs, showing streamlined approaches to graduation programming can benefit the extreme poor."

At a time when donors are pulling back on funding international development, and with approximately 10 percent of the world's population still living on less than US\$1.90 a day (2011 PPP), it's more important than ever to show that money spent to fight global poverty brings results.

"Village Enterprise has an exceptionally strong record of making iterative changes to its program based on high-quality data. The impact of Village Enterprise has been validated by an RCT, the highest quality evidence in the social sciences," explained Elijah Goldberg, Chief Operating Officer of [ImpactMatters](#), an organization that conducts 'impact audits' of nonprofits to rigorously estimate their philanthropic impact, compelling them and their funders to make evidenced-based decisions. In its recent impact audit, Village Enterprise earned top ratings across all three categories rated: evidence, monitoring and learning.

Based on the strength of the RCT's evidence that the program is cost-effective, Village Enterprise was recently selected from over 80 organizations as the service provider on a new US\$5.28 million Development Impact Bond, the first results-based funding instrument for poverty alleviation in Africa. Village Enterprise and Instiglio, a pioneer in results-based financing, are partnering with the world's two largest development agencies, U.S. Agency for International Development (USAID) and the U.K. Department for International Development (DFID) as outcome funders along with an anonymous donor, with impact investors providing the working capital. Outcome measurements include increases in consumption (as a proxy for income) and net assets. Larger grant sizes will be tested to see if a higher cash transfer could lead to higher impacts while maintaining program cost effectiveness. Impact will be assessed through an RCT conducted by IDinsight, and the Global Development Incubator (GDI) will serve as the trustee of the outcome fund.

This payment-for-results model provides a 100 percent guarantee that donor money will be linked to meaningful improvements in poverty alleviation outcomes, and requires funders to pay back Village Enterprise and its investors the original investment plus a return, but only if outcomes are met.

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About Village Enterprise

Village Enterprise seeks to end extreme poverty in rural Africa through innovation and entrepreneurship. Working in rural Sub Saharan Africa, the Village Enterprise "Graduation" program provides business and financial training, ongoing mentoring, seed capital and business savings networks to individuals who live on less than the international poverty line of 1.90/day (2011 PPP). Village Enterprise has started over 39,000 businesses, trained over 156,000 new small business owners and positively impacted the lives of over 850,000 people.